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C O N F I D E N T I A L SECTION 01 OF 04 RANGOON 000786

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E.O. 12958: DECL: 10/03/2018
TAGS: [SOCI](#) [EAID](#) [PHUM](#) [KHIV](#) [PGOV](#) [BM](#)
SUBJECT: GLOBAL FUND'S PROPOSAL TO RETURN TO BURMA: A
DEBATE AMONG DONORS

REF: SECSTATE 105179

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Classified By: P/E Chief Jennifer Harhigh for Reasons 1.4 (b) & (d)

Summary

¶1. (C) As instructed reftel, Charge conveyed, point-by-point, USG concerns and conditions regarding Burma's potential application for Round Nine of the Global Fund for AIDS, Tuberculosis and Malaria (GFATM) at an October 2 meeting in Rangoon to select a donor representative to the Country Coordinating Mechanism (CCM). Meeting participants, including UN and donor-government representatives, clearly understood the USG position. Charge noted the Global Fund's withdrawal from Burma in 2005, and stressed that Washington should have been consulted before starting down the road to its reintroduction. Swedish and Canadian reps generally backed USG concerns. UNAIDS, the UK and Australia also expressed understanding for USG concerns but followed with a reminder of Burma's immense needs, discussion of how the 3 Diseases Fund (3DF) has developed a successful record in Burma to address such needs, and expression of concern that rigid preconditions could doom an application that otherwise could result in an important contribution to combating these diseases. Donors selected the UK Department for International Development (DFID) health advisor as the donor representative to the CCM, agreed to provide views to the USG on the current environment in Burma for GFATM implementation, and pledged to return to their capitals to seek feedback on the USG position. End summary.

Raising U.S. Concerns

¶2. (C) The October 2 meeting included representatives from UNAIDS, DFID, SIDA (Sweden), AusAID (Australia), JICA (Japan), Embassy officers from the Japanese and Australian embassies, and the visiting Political Counselor (and Acting CDA for Burma) from the Canadian Embassy in Bangkok. We reached out in advance of the meeting to UNAIDS country

representative Brian Williams and the UK, Australian, and Japanese Ambassadors and/or DCMs. We encouraged the visiting Canadian rep, in Rangoon on a visit from Bangkok to attend the meeting as a like-minded donor. Finally, we met in advance with DFID health officer Julia Kemp, who announced her willingness to step forward as the nominee for the donor seat, wanting to ensure she was well aware of the U.S. conditions

13. (C) During the meeting, Charge conveyed, point by point, the concerns and conditions outlined in reftel. He expressed disappointment that the Global Fund application process had not been discussed with the USG until now, when reportedly a Global Fund team visited Burma to encourage an application last March. The delay in consultation with the USG is particularly worrisome given the history of the Fund's 2005 pullout. As instructed, Charge solicited assessments of the current operating environment in Burma, particularly as regards the 3 Diseases Fund (3DF), and perspectives on whether or not a return of the Global Fund to Burma in the near future is realistic, given the conditions that would need to be in place. He also asked whom donors and the UN see as the potential Principal Recipient for Global Fund grants.

Current Operating Environment--3DF's Experiences

14. (C) UNAIDS country representative Brian Williams noted that despite a difficult first year, the 3DF has been successful in delivering necessary health services in Burma. He observed that the 3D operates under strict limitations of the EU Common Position, limitation which in some aspects are stricter than the USG list of conditions. He pointed to USAID-funded health programs implemented by Population Services International and to the activities of Doctors without Borders (Holland) as further examples of successful efforts to provide health services to Burmese citizens using international resources. The UK and Australian donors generally agreed with the UNAIDS assessment.

Access Issues

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15. (C) Regarding access issues, Williams acknowledged the GOB requirement to seek permission before visiting project sites, though he observed the difficult issue is gaining access to new sites in disease-affected areas, rather than to existing sites. AusAID representative Bernie Pearce said AusAID and the 3DF accept that monitoring is often done by local staff due to expatriates' inability to gain access to sites. In response to concerns that local staff would come under pressure to report only good news, Pearce said his local staff have discovered and reported on problems they identified, although he conceded that they could theoretically come under pressure.

16. (C) Kemp (DFID) promised to provide 3DF records that illustrate the Fund's ability to gain access to monitor programs in Burma, an offer we welcomed. Kemp and Pearce encouraged participants to consult the 3D website (www.3Dfund.org) for further information on safeguards used by the 3DF.

Financial Concerns

17. (C) Williams understood U.S. concerns about the GOB's exchange rate policies as it would impact the Global Fund, but said the requirement for donors to exchange dollars for Foreign Exchange Certificates (FEC) did not affect the Global Fund during its 2004-2005 tenure in Burma. Williams and Pearce both noted that the FEC issue had come into play following Cyclone Nargis and that discussions among the GOB, the UN, ASEANs and donors had eventually resolved the issue favorably, which he said should be considered a positive indicator. Williams acknowledged "mixed" results on tax exemption issues in Burma but said U.S. concerns about this and other technical subjects would be better raised during later stages of the Global Fund application.

18. (C) Williams noted that a renewed Global Fund presence in Burma would have "additional safeguards" that would be clearly outlined, in contrast to the Global Fund's past experience in Burma, when safeguard demands had shifted over time. Charge took that opportunity to stress

yet again that to avoid misperceptions, the USG sees a need to establish credible GOB commitments upfront.

UN Organization as Principal Recipient

¶9. (C) Williams advocated for a UN organization to be the Principal Recipient for Global Fund monies, seeing no other viable options. He said the thought of a Government of Burma entity in the role is a non-starter, and the GOB clearly understands that. He noted that UNOPS is filling a similar function for the 3DF. It might be chosen for GFATM, but to avoid a conflict of interest with the 3DF hat, it could hire a different group of people to do the Global Fund role. There might be other UN options, though, he said, none spring to mind. He agreed the selection of a Principal Recipient must be done in a transparent manner in advance of any application deadline. The next deadline in sight is Jan. 21, 2009, for a program that could not possibly begin on the ground until mid-2010, more likely 2011. The current 3DF commitment is to 2011. We asked if 3DF donors expect the GFATM funding to replace current 3DF funding. The response was: "No, GFATM by policy must always be additive."

UNAIDS, UK Counsel Step-By-Step Approach to Deal with USG Concerns

¶10. (C) The UNAIDS and DFID representatives proposed that the USG's position -- listing preconditions for a proposal -- runs counter to existing Global Fund protocols, in that the specific issues mentioned (access, funding restrictions, tax exemptions, controls on disbursements, etc.) are generally addressed during the granting process that occurs after a proposal is submitted and reviewed. They also argued that their 3DF experience has shown the way to achieve successful implementation of conditions in Burma is through step-by-step negotiation with the Ministry of Health, and that demanding pre-conditions is not the way to gain the results all desire: effective efforts to address the diseases in Burma.

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¶11. (C) Charge reiterated that due to the unique and troubled history of the Global Fund in Burma, the USG insists potential deal-breakers for implementation be addressed in advance of a proposal being submitted. It would be very unfortunate and wasteful to go a long way down the road toward a program if it is obvious up front conditions will not be satisfactory. We were strongly supported by our Canadian and Swedish counterparts (both resident in Bangkok), who agreed with the necessity to address the issues early on. The Japanese representatives remained silent throughout the meeting.

¶12. (C) In response, UNAIDS and DFID stressed that early CCM meetings will be very preliminary. The one on Oct. 7 is primarily to bless the conversion of the current 3DF oversight mechanism into a CCM that can oversee 3DF, any future GFATM effort, and other donor endeavors in the field. There will be many CCM meetings, and thus many opportunities to address U.S.-stated pre-conditions productively, between now and early January when a Global Fund proposal could or would be submitted to Geneva.

DFID Representative Approved as Donor Representative

¶13. (C) At the conclusion of the meeting, Julia Kemp, DFID's health advisor, was nominated and approved as the donor community representative for the CCM. Kemp told us she understands the U.S. position and would strive for transparency as the donor representative. While the UK embassy in Rangoon has considerably less concern than does the USG about the thought of a GFATM return to Burma (also true of the Australians), we judged that the close U.S./UK relationship across the range of issues made the UK the most "like-minded" option, per reftel, to take the CCM donor rep role. Washington and London can surely discuss thorny issues collegially.

UK, Australian Reaction

¶14. (C) During the meeting, the UK and Australia representatives expressed a need to share the U.S. position with their capitals prior to the proposed October 7 CCM meeting, presumably hoping their capitals can engage with Washington directly. On October 3, the UK Ambassador (who was out of town and unable to attend the previous day's meeting and who chairs the 3DF effort in Burma) called Charge to ask that the U.S. keep in mind the continuing humanitarian need in Burma, the significant success of the 3DF, and the fact that the GOB Minister of Health has been cooperative.

He noted that a failed Global Fund application could prove embarrassing to Burma, leaving the Minister of Health in a vulnerable position, and making work much more difficult for health-sector donors. Charge acknowledged the points, but stressed that, given the sensitivity and the history, all of these issues should have been raised by the Global Fund with the USG at the earliest stages, before proposing any application process. The Australian DCM on October 3 urged us to share U.S. concerns directly with Global Fund representatives in Geneva, and we said we expect Washington would do so.

Comment

¶15. (C) We are confident that all participants in the meeting unmistakably understood USG concerns regarding Burma's re-application to the GFATM and that donors are currently consulting with capitals to determine next steps. We believe the nominated donor representative is committed to representing the USG position in the CCM even when it differs from the majority view. Nonetheless, our message was not well-received by UNAIDS, the UK, and Australia. We did not suggest that the U.S. has already decided to oppose Burma's Global Fund bid. We did solicit views of the current aid environment to help Washington's deliberations. Still, the UK and Australia after the meeting expressed concern that the U.S. may already be determined to oppose not just the GFATM, but also the ongoing activities of the 3DF. We continue to remind other donors and our UN colleagues that the heart of the USG message is the necessity to address serious, potential deal-breaker issues early rather than late. At a minimum, the debate (albeit

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delayed) on the merits of a Burma re-application for the Global Fund's next solicitation now includes the United States, as it must.
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